

REALTY CAPITAL CORP. LIMITED

Annual Report

1968

Financial Highlights

Income Earned.....	
Cost of Borrowing.....	
Operating Expenses.....	
Earnings before Taxes.....	
Provision for Taxes.....	
Net Earnings.....	
Dividends Paid.....	
Earnings per Share (after subdivision of shares)	
Retained Earnings.....	
Total Assets.....	

1968	1967
\$ 467,556	\$ 383,833
151,927	155,144
315,629	228,689
131,664	100,047
183,965	128,642
87,486	56,756
\$ 96,479	\$ 71,886
\$ 4,519	\$ 4,500
47.1¢	35.2¢
\$ 311,995	\$ 220,035
\$3,265,250	\$3,256,418

REALTY CAPITAL CORP. LIMITED



Annual Report 1968



REALTY CAPITAL CORP. LIMITED

Officers: Ralph E. Ades, *Chairman*
David S. Ades, *B.Sc., A.M.C.T., President*
Pierre Genest, *Q.C., Secretary*
Philip F. Rudson, *C.A., Treasurer*
Gerald Rose, *S.R.A., General Manager and Assistant Secretary*
Roger I. Coe, *C.A., Assistant Treasurer and Comptroller*

Directors: David S. Ades, *B.Sc., A.M.C.T.*
Jeanne Ades
Ralph E. Ades
Stephen E. Berger, *M.E.I.C.*
Gordon G. Dickson
William G. Durst, *F.R.I.*
Pierre Genest, *Q.C.*
Philip E. Hoffman
William C. Lawrence

Management: Gerald Rose, *S.R.A., General Manager*
A. Gary Wallington, *S.R.A., District Manager*
Roger I. Coe, *C.A., Comptroller*

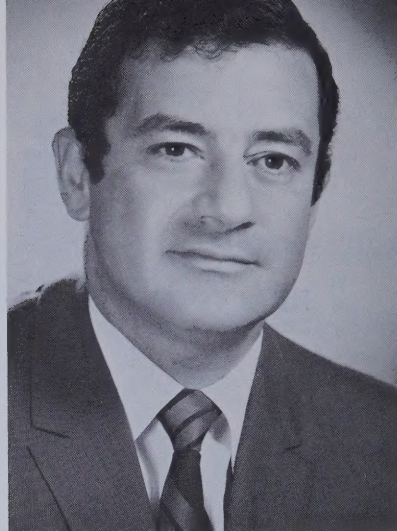
Auditors: Clarkson, Gordon & Co., *Toronto*
Chartered Accountants

Trustees and Transfer Agents: Guaranty Trust Company of Canada, *Toronto*
Common Shares and Secured Certificates
Montreal Trust Company, *Toronto*
Class A Shares and Subordinated Debentures

Company Bankers: Royal Bank of Canada, *Toronto*
Canadian Imperial Bank of Commerce, *Toronto*

Legal Counsel: Cassels, Brock, *Toronto*
Barristers & Solicitors

Head Office: 133 Richmond Street West, *Toronto 1, Canada*



David S. Ades

President's Report

YOU will be pleased to know that your company's operations in 1968 have been singularly successful and that the current year already shows indications of continuing strength and increased earnings.

Total income for the year ended December 31, 1968, was \$467,556 as compared to \$383,833 in 1967, and net earnings after taxes rose from \$71,886 in 1967 to \$96,479, an increase of 34.2%. Calculated on the capital stock outstanding at the end of each financial year, earnings per share were 94.2¢ in 1968 as compared to 70.3¢ in 1967, (or 47.1¢ and 35.2¢ respectively after the subdivision of shares that occurred in January of 1969).

Mortgages receivable increased from \$2,461,550 to \$2,533,736. It is worth noting that sales of real estate and mortgages contributed 34% to the year's total income. The remaining 66% related to income from mortgages. These figures reflect the continuing expansion of your company's real estate business which, in 1967, contributed only 12% to the company's total income.

For the information of new shareholders, it may be useful to review briefly the company's organization and business.

Realty Capital Corp. Limited is a holding company which, operating through two wholly-owned subsidiaries and another company, (in which it is a major shareholder), covers the full range of real estate development, mortgage financing and savings and loan operation.

Of the two wholly-owned subsidiaries, Warchester Investments Limited is involved in the purchase and sale of improved real estate, the purchase, development and sale of unimproved real estate and to some

extent the leasing of real estate and in construction. It also performs a mortgage banking service by locating, acquiring and managing mortgages for other persons. It has two construction projects scheduled for 1969 on land owned by it close to Metropolitan Toronto, one being a 57 suite apartment project in the Village of Pickering and the other a commercial building in Richmond Hill which it is expected will be leased to a bank on a twenty year lease. It has successfully developed and sold a parcel of land in the Town of Markham, to be used for single and semi-detached residential units.

The principal business of the other wholly-owned subsidiary, Commodore Investments Limited, is the provision of funds for mortgages on residential real estate and, to a lesser extent, on commercial and industrial properties. It also provides mortgage loans, on an interim basis, usually for terms of less than one year, for the construction and development of real estate. It is the policy of Commodore's management to provide such "bridge financing" only in cases where the borrower has definite long term financing arranged. The usual effective annual interest rates charged by Commodore range between 13% and 15% depending on the nature of the loan and the servicing costs involved. In some cases it acquires an interest with others in mortgages which are larger than it wishes to hold by itself. In these cases it is Commodore's present policy to administer the mortgage on behalf of the participants for a fee, and it is also able to derive fees in such cases from its ability to find and examine the merits of particular mortgage loans.

The other company, County Savings and Loan Corporation, is incorporated under the Loan and Trust Corporations Act of Ontario. It offers its services through its three branches in Toronto and provides savings and chequing account privileges for its customers, sells investment certificates and makes consumer or personal loans. These services are competitive in respect to interest rates and quality with similar services provided by the chartered banks. County is currently operating on a profitable basis.

County is a member of the Canada Deposit Insurance Corporation, a Government agency which guarantees repayment of moneys lent to the member companies by the public up to \$20,000 per depositor. It also makes available conventional mortgages on real estate up to 75% of the value of the real estate so mortgaged. It is an approved lender under the National Housing Act and as such can initiate and service mortgages guaranteed by Central Mortgage & Housing Corporation.

As at December 31st, 1968 your company held a 25.8% interest in County. Under an agreement concluded last year, these holdings will be increased to 41.3% by January of 1970.

In January, 1969, the company's capital structure was re-organized to provide a broader basis for corporate growth. The company sold from treasury 125,000 units of stock and warrants at \$8.05 a unit, and the outstanding capital stock now comprises 174,400 common shares and 280,500 convertible Class A Shares, before any conversion of convertible debentures which have occurred in the meantime.

Current Developments

Proceeds from the recent underwriting enabled your company to intensify its program of land and real estate acquisitions. Several properties, have recently been added to your company's portfolio of land holdings, situated in Oakville, Pickering, Mississauga and Richvale. They have been purchased for development and resale.

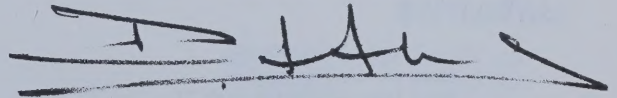
Under an agreement concluded last year, your company will receive shortly, an additional \$500,000 (U.S.) through the sale of long-term secured notes. These funds will be channelled into Commodore Investments Limited and will be used to increase your company's mortgage portfolio.

I am pleased to announce that Mr. R. F. Chisholm of Willowdale, Ontario, Mr. P. E. Hoffman of South Orange, New Jersey, and Mr. J. Mc. MacLean, Port Credit, Ontario, have recently joined your board of directors. Their experience and support will be of great benefit to your company. Our General Manager, Mr. Gerald Rose, S.R.A., has been appointed Vice-President of your company.

During the seven years since incorporation, your company has established a record of steady business expansion and increasing profitability. I am confident, we can not only maintain, but even accelerate this momentum of growth in the years ahead.

I welcome this opportunity of expressing my gratitude to all our employees whose loyalty and dedication have contributed in great measure to the success of your company.

On behalf of the board,

A handwritten signature in dark ink, appearing to read 'D. Ades', with a long horizontal line extending to the right.

David S. Ades,
President

Toronto, May 22nd, 1969.



REALTY CAPITAL CORP. LIMITED

(formerly C-I Credit Corp. Limited — note 1)

(Incorporated under the laws of Ontario)

and its wholly-owned subsidiaries

Consolidated Balance Sheet • December 31, 1968

(with comparative figures at December 31, 1967)

ASSETS

	1968	1967
Mortgages, real estate and other working assets:		
Cash.....		\$ 13,364
Mortgages receivable (note 2).....	\$2,533,736	2,461,550
Real estate acquired for sale (note 3).....	276,933	461,210
Land under development (note 4).....	181,835	
Accrued mortgage interest receivable.....	15,092	16,184
Account receivable from affiliated company —		
County Savings and Loan Corporation.....	2,698	75,744
Sundry accounts receivable and prepaid expenses.....	27,080	25,483
	3,037,374	3,053,535
Investment in shares of County Savings and Loan Corporation, at cost (note 5).....	138,262	113,775
Equipment and leasehold improvements, at cost less accumulated depreciation and amortization of 1968 — \$9,507; 1967 — \$6,366.....	12,394	10,797
Unamortized financing expenses.....	77,220	78,311
	<u>\$3,265,250</u>	<u>\$3,256,418</u>

LIABILITIES

Current liabilities:		
Bank overdraft.....	\$ 53,564	
Bank loan — secured (note 7).....	265,000	\$ 475,000
Accounts payable and accrued charges.....	72,291	44,005
Income taxes payable.....	44,395	44,222
Current portion of long term debt (note 8).....	94,589	176,816
	529,839	740,043
Unamortized discounts on mortgages receivable (note 2).....	217,400	203,610
Deferred income taxes (note 6).....	91,631	85,026
Long term debt (note 8).....	1,688,535	1,583,854
Shareholders' equity:		
Capital (notes 1 and 9) —		
Class A shares.....	92,000	90,000
Common shares.....	333,600	333,600
Contributed surplus (note 12).....	250	250
Retained earnings (note 12).....	311,995	220,035
	737,845	643,885
	<u>\$3,265,250</u>	<u>\$3,256,418</u>

On behalf of the Board:

DAVID S. ADES, Director

PIERRE GENEST, Director

(See accompanying notes to consolidated financial statements)

AUDITORS' REPORT

To the Shareholders of
Realty Capital Corp. Limited
(formerly C-I Credit Corp. Limited):

We have examined the consolidated balance sheet of Realty Capital Corp. Limited and its wholly-owned subsidiaries as at December 31, 1968 and the consolidated statements of earnings and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the consolidated financial position of the companies as at December 31, 1968 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
April 1, 1969.

Clarkson, Gordon & Co.

Consolidated Statements of Earnings and Retained Earnings for the year ended December 31, 1968

(with comparative figures for 1967)

EARNINGS

INCOME:

	1968	1967
Income on mortgages (note 2).....	\$ 307,695	\$ 336,365
Mortgage and real estate sales.....	1,527,614	967,349
Less cost of sales.....	1,367,753	919,881
	159,861	47,468
Total income.....	467,556	383,833

EXPENSES:

Interest on —		
Bank loans.....	30,268	32,220
Long term debt.....	121,659	122,924
	151,927	155,144
Administrative and general expenses (note 10).....	118,394	85,902
Amortization of financing expenses.....	8,839	10,585
Depreciation and amortization.....	4,431	3,560
	283,591	255,191

EARNINGS BEFORE INCOME TAXES.....	183,965	128,642
Income taxes:		
Current.....	80,881	49,463
Deferred (note 6).....	6,605	7,293
	87,486	56,756
NET EARNINGS FOR THE YEAR.....	\$ 96,479	\$ 71,886

RETAINED EARNINGS

Balance, beginning of year.....	\$ 220,035	\$ 152,649
Net earnings for the year.....	96,479	71,886
	316,514	224,535
Dividends paid on Class A shares.....	4,519	4,500
Balance, end of year.....	\$ 311,995	\$ 220,035

(See accompanying notes to consolidated financial statements)



REALTY CAPITAL CORP. LIMITED

(formerly C-I Credit Corp. Limited)

and its wholly-owned subsidiaries

Notes to Consolidated Financial Statements

December 31, 1968

1. CHANGE IN NAME AND CAPITALIZATION

On January 25, 1969 supplementary letters patent were issued which authorized:

- (a) the subdivision of the authorized and issued capital as follows:
200,000 authorized Class A shares (of which 15,250 issued) into 400,000 Class A shares (of which 30,500 issued);
180,000 Common shares (of which 87,200 issued) into 360,000 Common shares (of which 174,400 issued);
- (b) the creation of a further 600,000 Class A shares; and
- (c) the changing of the name of the company from C-I Credit Corp. Limited to Realty Capital Corp. Limited.

2. MORTGAGES RECEIVABLE

The mortgages receivable are carried on the balance sheet at their face values, less principal repayments to date and less an allowance of \$10,000 for doubtful mortgages. Any purchase discounts are carried as "Unamortized discounts on mortgages receivable" and are amortized over the periods of the mortgages.

3. REAL ESTATE ACQUIRED FOR SALE

The real estate acquired for sale is valued at the lower of cost or estimated realizable value.

4. LAND UNDER DEVELOPMENT

Land under development includes the following:

- (a) Land sold under contract in the amount of \$104,335. This amount represents substantially the full contract price less payments received to date. Incidental costs which will be fully recoverable, of approximately \$5,000, will be incurred in 1969.
- (b) Interests in two parcels of land for development at a cost of \$77,500. No development costs had been incurred on these parcels of land to December 31, 1968.

5. INVESTMENT IN AFFILIATED COMPANY

The investment in County Savings and Loan Corporation represents 25.8% of the issued shares of that company; no quoted market value is available for these shares as at December 31, 1968.

Subsequent to December 31, 1968 the company acquired an additional 6,000 shares (5.2%) of County Savings for a total consideration of \$21,000. In addition, the company has entered into an agreement to purchase a further 12,000 shares on January 31, 1970 at a cost of \$42,000.

6. DEFERRED INCOME TAXES

For income tax purposes the companies are permitted to record bonus income and claim financing expenses and allowances for doubtful mortgages on a basis different from that used to record such items in the accounts. The tax reductions resulting from the differences in recording of such items are not reflected in income but are credited to "Deferred income taxes" to be brought into income in subsequent years when the net amounts from these sources reported for tax purposes will be more than the amounts recorded in the accounts.

7. BANK LOAN

The Secured Certificates, Series 3 may be issued in unlimited principal amounts at varying interest rates and maturity dates to secure bank loans. The principal amount outstanding at December 31, 1968 was \$350,000. See note 8(b) for details of the trust indenture securing this series.

8. LONG TERM DEBT

Details of the companies' long term debt are as follows:

	1968	1967
Realty Capital Corp. Limited		
Secured Certificates —		
7%-9% Series 1, due in various amounts to March 1, 1974 (a).....	\$ 26,296	\$ 48,921
6¾% Series 2, due September 23, 1974 (b) and (c).....	500,000	500,000
7% Series 5, \$500,000 (U.S.) principal amount, due January 31, 1981, payable \$38,333 (U.S.) annually commencing February 1, 1969 (b), (c) and (d).....	537,194	537,194
6¾% Subordinated Convertible Debentures Series A, due December 1 1974 (e).....	498,000	500,000
8% Subordinated Convertible Debentures Series B, due October 22, 1978 (f)....	100,000	
Warchester Investments Limited		
6½%-9% loans payable secured by mortgages (g).....	121,634	174,555
	<u>1,783,124</u>	<u>1,760,670</u>
Deduct long term debt maturing within one year — shown as a current liability	94,589	176,816
	<u>\$1,688,535</u>	<u>\$1,583,854</u>

(All numbers of shares and the per share prices quoted below are stated in terms of the subdivided shares existing after the issue of the supplementary letters patent referred to in note 1.)

- The trust indenture securing the Secured Certificates, Series 1 requires the company to, among other things, maintain with the Trustee mortgages in an amount at least 20% in excess of the certificates outstanding. Under the terms of the trust indenture referred to in (b) below, no further Series 1 Certificates may be issued.
- The trust indentures securing Secured Certificates, Series 2, 3 and 5 require, among other things, that the company will maintain on deposit with the Trustee acceptable collateral (as defined) of a total value of at least 125% of the aggregate principal amount of all outstanding Secured Certificates issued thereunder. The indentures also contain restrictions as to the total amount of secured and subordinated debt that the company may issue from time to time.
- The Secured Certificates, Series 2 were issued with Series A warrants enabling the holders to purchase a total of 30,000 Class A shares at \$4 per share up to October 31, 1969 and \$5 per share thereafter up to October 31, 1974 and the Secured Certificates, Series 5 were issued with Series B warrants enabling the holders to purchase a total of 40,000 Class A shares at \$4 per share up to February 1, 1970 and at \$5 per share thereafter up to February 1, 1976. See note 11 for the surrender of these warrants and of 10,000 of the same series held by the underwriters in exchange for Series D warrants to purchase an equivalent number of shares, which will become effective on the issue of a further series of Secured Certificates in 1969.
- Long term debt sold in United States funds and the portion maturing within one year have been translated at the exchange rate prevailing at the date of issue of the debt.
- The Subordinated Debentures, Series A are convertible into Class A shares at the rate of 1 Class A share for every \$4 in principal amount of debenture up to December 1, 1969, and 1 Class A share for every \$5 in principal amount thereafter up to November 27, 1974.
- The Subordinated Debentures, Series B are convertible into Class A shares at the rate of 1 Class A share for every \$4.22 in principal amount of debenture up to October 21, 1973 and 1 Class A share for every \$4.72 in principal amount thereafter up to October 18, 1978.
- The loans payable by Warchester Investments Limited include loans of \$51,063 which mature prior to December 31, 1969.

9. SHARE CAPITAL

- The authorized and issued share capital of the company as at December 31, 1968 was as follows:

Authorized —

200,000 non-cumulative non-voting participating convertible Class A shares without par value
180,000 Common shares, without par value

Issued —

15,250 Class A shares (of which 250 were issued during the year on conversion of \$2,000 principal amount of 6¾% Subordinated Convertible Debentures Series A)..... \$ 92,000
87,200 Common shares..... 333,600

Subsequent to the issue of the supplementary letters patent referred to in note 1 above the share capital was as follows:

Authorized —

1,000,000 non-cumulative non-voting participating convertible Class A shares without par value
360,000 Common shares, without par value

Issued —

30,500 Class A shares.....	\$ 92,000
174,400 Common shares.....	333,600

Each Class A share is convertible at the option of the holder into one fully paid Common share at any time on or after November 1, 1971.

- (b) Share reservations and options. (The numbers of shares and the per share prices quoted below are stated in the terms of the subdivided shares existing after the issue of the supplementary letters patent referred to in note 1.)
- (i) At December 31, 1968, in addition to the warrants outstanding in the hands of the holders of long term debt as indicated in note 8 above, there were Series B warrants outstanding for the purchase of 10,000 Class A shares at \$4 per share up to February 1, 1970 and at \$5 per share thereafter up to February 1, 1976.
- (ii) At December 31, 1968 employee options were outstanding with respect to 20,000 common shares at \$3 per share exercisable on or before September 9, 1971.
- (iii) At December 31, 1968 the company's authorized but unissued share capital was reserved to the following extent:

Class A shares —

For issue under share purchase warrants presently outstanding:

Series A.....	30,000 shares
Series B (see note 11 below).....	50,000 shares

For issue under conversion privileges attached to the:

6¾% Subordinated Debentures.....	124,500 shares
8% Subordinated Debentures.....	23,696 shares

For issue under share purchase warrants to be issued in 1969 with the \$500,000 (U.S.)

Secured Certificate referred to in note 11 (excluding those to be given in exchange for Series B).....	60,000 shares
	<u>288,196 shares</u>

Common shares —

For issue under options held by employees.....	<u>20,000 shares</u>
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10. OTHER

- (a) A statement of source and application of funds has not been included as it is not practicable to apportion certain assets and liabilities into current and non-current categories.
- (b) The aggregate remuneration paid or accrued by the company and its subsidiaries to directors and senior officers (as defined by the Corporations Act of Ontario) amounted to \$70,606 in 1968. This includes remuneration of two employees not considered to be part of management of the company.

11. COMMITMENTS

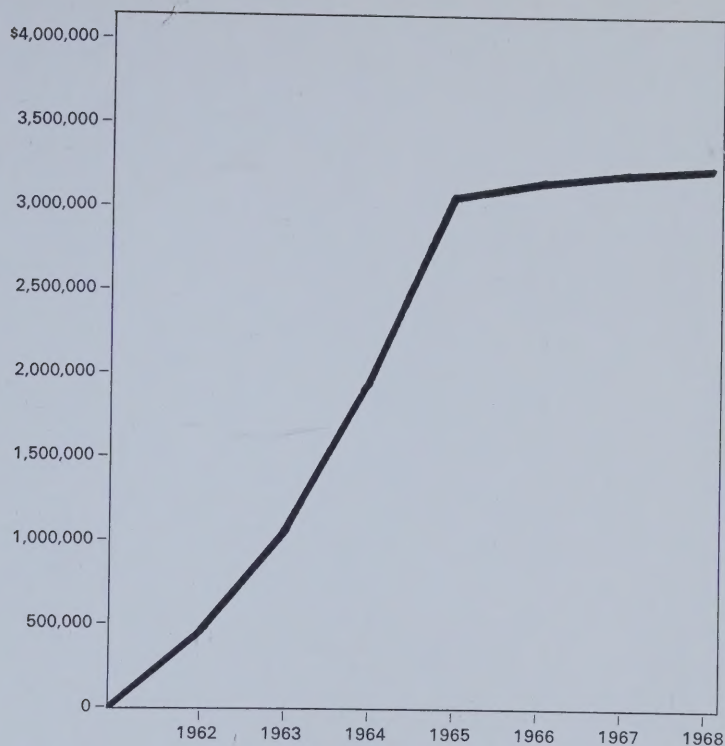
Prior to December 31, 1968 the company entered into an agreement with a United States insurance company for the issue of a \$500,000 (U.S.) 8% Secured Certificate under the terms of the trust indenture for the Secured Certificates referred to in note 8(b) above. The purchase of the note will be consummated at the discretion of the insurance company no later than June 30, 1969.

In consideration of the purchase of the Secured Certificate the insurance company will also receive Series E warrants to purchase 60,000 Class A shares at \$4 per share exercisable for a period of 15 years from the date of the purchase of the Secured Certificate, and the present Series B warrants held by the insurance company and underwriters will be exchanged for new Series D warrants entitling the holders to purchase 50,000 Class A shares at \$4 per share up to February 1, 1976.

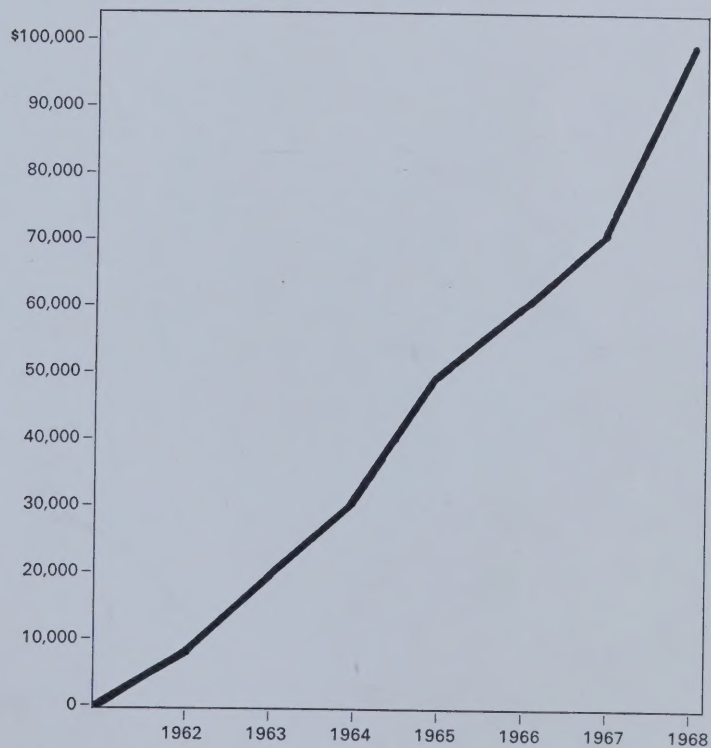
12. EVENTS SUBSEQUENT TO DECEMBER 31, 1968

The company issued and sold to underwriters, pursuant to an underwriting agreement dated February 14, 1969, 250,000 Class A shares at \$4 per share and 155,000 Series C warrants at 5¢ per warrant for a total cash consideration of \$1,007,750 (which were offered by the underwriters in units of 2 shares and 1 warrant, with 30,000 warrants to be retained by the underwriters). Each Series C warrant will entitle the holder to purchase 1 Class A share of the company on or before February 15, 1974 at a price of \$4.50 and thereafter and on or before February 15, 1979 at a price of \$5.00. 155,000 Class A shares will be reserved for issue under these purchase rights. The proceeds to the company of this issue amounted to \$894,868 after deducting underwriters' commissions of \$71,875 and expenses of issue of \$41,007. The aggregate of the commissions and expenses of \$112,882 will be charged to retained earnings. The aggregate consideration of \$7,750 received from the sale of all of the warrants will be credited to contributed surplus.

Growth of Assets to
December 31st, 1968



Growth of Net Earnings
to December 31st, 1968



REALTY CAPITAL CORP. LIMITED



Annual Report 1968